

E-Play Digital Inc.

Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

E-Play Digital Inc.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at September 30, 2022 and December 31, 2021
(Expressed in Canadian dollars)

	Notes	September 30, 2022	December 31, 2021
		\$	\$
ASSETS			
Current Assets			
Cash		118,700	606,374
Amounts receivable		97	97
GST receivable		14,038	9,325
Prepaid expenses		-	9,312
		132,835	625,108
Intangible assets	5	4,799	6,803
		137,634	631,911
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	11	279,645	196,974
Short-term loans	6	18,735	19,743
		298,380	216,717
Loans payable	7	1,281,330	1,278,519
		1,579,710	1,495,236
SHAREHOLDERS' DEFICIENCY			
Share capital	8	11,792,116	11,792,116
Reserves	8	1,401,445	1,401,445
Deficit		(14,526,038)	(13,961,223)
Deficiency attributable to shareholders of the Company		(1,332,477)	(767,662)
Non-controlling interest		(109,599)	(95,663)
		(1,442,076)	(863,325)
		137,634	631,911
Nature and continuance of operations	1		
Contingency	12		
Commitment	16		

Approved and authorized for issuance by the Board of Directors on November 29, 2022:

Approved on Behalf of the Board of Directors:

/s/ Manfred G von Nostitz
Director

/s/ Trevor Doerksen
Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

E-Play Digital Inc.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND
COMPREHENSIVE LOSS
For the three and nine months ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

	Notes	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
				\$	\$
Revenue	15	22,619	7,099	35,802	29,968
Cost of sales		(1,594)	-	(1,594)	-
		21,025	7,099	34,208	29,968
Operating expenses					
Accretion	7	971	878	2,811	2,232
Amortization	5	668	668	2,004	2,004
Consulting fees	11	4,286	9,210	30,835	57,357
Foreign exchange loss (gain)		(7,831)	754	(11,686)	(4,432)
Interest expense		-	-	-	1,154
Investor relations		2,725	22,025	15,427	39,018
Office and miscellaneous		6,227	7,448	18,772	13,888
Management fees	11	15,000	15,000	45,750	53,274
Professional fees	11	15,900	24,078	70,069	105,417
Regulatory and transfer fees		4,485	5,281	20,312	19,240
Research and development	11 & 13	63,001	140,501	295,070	159,659
Sales and marketing		19,488	155,921	101,528	262,282
Share-based compensation	8(c)	-	280,005	-	572,585
Travel		3,595	9,050	23,226	9,225
Total operating expenses		(128,515)	(670,819)	(614,118)	(1,292,903)
Other income		1,159	-	1,159	-
Gain on settlement of debts	8(b)	-	-	-	125
Consideration paid in excess of net assets acquired	4	-	-	-	(2,708,160)
		1,159	-	1,159	(2,708,035)
Net loss and comprehensive loss		(106,331)	(663,720)	(578,751)	(3,970,970)
Net loss attributable to:					
Shareholders of the Company		(103,957)	(655,647)	(564,815)	(3,959,484)
Non-controlling interest		(2,374)	(8,073)	(13,936)	(11,486)
		(106,331)	(663,720)	(578,751)	(3,970,970)
Basic and diluted loss per common share		(0.00)	(0.01)	(0.01)	(0.05)
Weighted average number of common shares outstanding – basic and diluted		98,965,819	98,438,138	98,965,819	86,460,590

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

E-Play Digital Inc.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
For the nine months ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

	Share Capital				Non-controlling Interest	Total
	Number of Shares	Amount	Reserves	Deficit		
		\$	\$	\$	\$	\$
Balance, December 31, 2020	71,966,039	7,446,393	863,340	(9,704,745)	(77,728)	(1,472,740)
Shares issued for cash (Note 8(b))	11,000,000	1,100,000	-	-	-	1,100,000
Exercise of options (Notes 8(b) and 8(c))	564,533	94,675	(34,995)	-	-	59,680
Exercise of warrants (Notes 8(b) and 8(d))	1,000,000	150,000	-	-	-	150,000
Shares issued to settle debts (Notes 8(b), 11 and 14)	2,088,747	208,131	-	-	-	208,131
Shares issued for Holo3D Technologies Inc. acquisition (Note 4)	12,000,000	2,760,000	-	-	-	2,760,000
Share-based compensation (Note 8(c))	-	-	572,585	-	-	572,585
Loss for the period	-	-	-	(3,959,484)	(11,486)	(3,970,970)
Balance, September 30, 2021	98,619,319	11,759,199	1,400,930	(13,664,229)	(89,214)	(593,314)
Balance, December 31, 2021	98,965,819	11,792,116	1,401,445	(13,961,223)	(95,663)	(863,325)
Loss for the period	-	-	-	(564,815)	(13,936)	(578,751)
Balance, September 30, 2022	98,965,819	11,792,116	1,401,445	(14,526,038)	(109,599)	(1,442,076)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

E-Play Digital Inc.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

	2022	2021
	\$	\$
Operating activities		
Loss for the period	(578,751)	(3,970,970)
Adjustments for non-cash items:		
Accretion expense	2,811	2,232
Amortization	2,004	2,004
Consideration paid in excess of net assets acquired	-	2,708,160
Gain on settlement of debts	-	(125)
Share-based compensation	-	572,585
Unrealized foreign exchange gain	(1,008)	(807)
Change in non-cash working capital components:		
Amounts receivable and GST receivable	(4,713)	(10,313)
Prepaid expenses	9,312	-
Accounts payable and accrued liabilities	82,671	176,071
Net cash used in operating activities	(487,674)	(521,163)
Investing activities		
Acquisition of Holo3D Technologies Inc., net of cash received	-	63,555
Net cash provided by operating activities	-	63,555
Financing activities		
Bank indebtedness	-	(4,618)
Shares issued for cash	-	1,100,000
Exercise of options	-	59,680
Exercise of warrants	-	150,000
Net cash provided by financing activities	-	1,305,062
Increase (Decrease) in cash	(487,674)	847,454
Cash, beginning of the period	606,374	1,533
Cash, end of the period	118,700	848,987
Cash paid for interest expense	-	-
Cash paid for income taxes	-	-

Supplemental cash flow information (Note 14)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

E-Play Digital Inc.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

E-Play Digital Inc. (the “Company”) was incorporated under the Business Corporations Act in British Columbia on September 19, 2013 under the name Organach Beverage Acquisition Corp. On October 6, 2016, the Company changed its name to E-Play Digital Inc. and change of its business to developing and operating broadcast and live video technologies. The address of the registered office is 246 – 2464 Stewart Green SW, Calgary, Alberta, Canada T3H 3C8.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. At September 30, 2022, the Company had a working capital deficiency of \$165,545 (December 31, 2021 – working capital of \$408,391) and had a deficit of \$14,526,038 (December 31, 2021 – \$13,961,223) which has been funded primarily by the issuance of equity and loans from third parties. The Company’s continuing operations, as intended, and its financial success may be dependent upon the extent to which it can successfully raise the capital to carry out its business plan. If the Company is unable to fund its future plan, its business, financial condition or results of operations could be materially and adversely affected. The success of the Company depends on its ability to profitably penetrate its target market with its new products on a sustainable basis.

The Company’s ability to launch its operations as intended is dependent on its ability to generate revenue and raise capital sufficient to cover its marketing and other costs. These factors indicate a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary should the Company be unable to continue in existence.

In March 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. The expected impacts on global commerce are anticipated to be far reaching. To date there have been significant effects on the world’s equity markets and the movement of people and goods has become restricted. Due to market uncertainty, the Company may be restricted in its ability to raise additional funding. The impact of these factors on the Company is not yet determinable; however, they may have a material impact on the Company’s financial position, results of operations and cash flows in future periods.

2. BASIS OF PRESENTATION

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretation Committee (“IFRIC”).

These consolidated financial statements are presented in Canadian dollars, which is the reporting and functional currency of the Company, and its subsidiaries Mobovivo Inc. (“Mobovivo” or “MV”) and Holo3D Technologies Inc. The functional currency of the Company’s wholly-owned subsidiary Emerald Oncology Limited (“Emerald”) is the Euro (€). These consolidated financial statements are prepared on a historical cost basis except for certain financial instruments as described at Note 3, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

E-Play Digital Inc.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

Basis of consolidation

Consolidated financial statements include the assets, liabilities, and results of operations of all entities controlled by the Company. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the Company's consolidated financial statements. Where control of an entity is obtained during a financial year, its results are included in the consolidated statements of comprehensive loss from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control exists.

These consolidated financial statements include the accounts of the Company and its subsidiaries as follows:

Name	Incorporation / acquisition date	Ownership %		Jurisdiction
		2021	2020	
Mobovivo Inc.	December 20, 2016	96.70%	96.70%	Canada
Holo3D Technologies Inc.	June 25, 2021	100%	-	Canada
Emerald Oncology Limited	September 29, 2014	100%	100%	Ireland

As at and for the nine months ended September 30, 2022, Emerald Oncology Limited was inactive.

3. SIGNIFICANT ACCOUNTING POLICIES

Use of estimates and judgments

The preparation of these consolidated financial statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these judgements and estimates. The consolidated financial statements include judgements and estimates which, by their nature, are uncertain. The impacts of such judgements and estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both current and future periods.

Significant assumptions about the future and other sources of judgements and estimates that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Judgments

i) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. Management monitors future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates and judgments (continued)

ii) Impairment indicators of intangible assets

The recoverability of the carrying value of the intellectual property is dependent on successful development and commercial stage to the point where revenue is possible. The carrying value of these assets is reviewed by management when events or circumstances indicate that its carrying value may not be recovered. If impairment is determined to exist, an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount.

iii) Transactions

Judgment is used when determining whether an acquisition is a business combination or an asset acquisition. There are judgements in measuring the fair value of equity instruments issued as consideration and in allocating the fair value of consideration paid to the assets acquired and liabilities assumed.

Estimates

i) Share-based compensation

Share-based compensation expense is measured by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumption about them.

ii) Recoverability of amounts receivables

The Company assesses the collectability of receivables on an ongoing basis. A provision for the impairment of receivables involves significant management judgment and includes the review of individual receivables based on individual customer creditworthiness, current economic trends and analysis of historical bad debts.

iii) Deferred tax assets and liabilities

The measurement of deferred income tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income which in turn is dependent upon the successful operations of the Company. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred tax provisions or recoveries could be affected. Tax losses have been estimated and are subject to changes as a result of reviews from regulatory authorities.

E-Play Digital Inc.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

iv) Useful life of intangible assets

The finite life intangible assets are depreciated over their useful lives. Estimated useful lives are determined based on current facts and past experience and take into consideration the anticipated physical life of the asset, existing long-term sales agreements and contracts, current and forecasted demand, the potential for technological obsolescence, and regulations.

New accounting standards and interpretations issued but not yet adopted

IAS 1 –Presentation of Financial Statements (“IAS 1”), has been amended to clarify how to classify debt and other liabilities as either current or non-current. The amendment to IAS 1 is effective for the years beginning on or after January 1, 2023, with early application permitted. The Company is currently assessing the impact of this amendment.

4. ASSET ACQUISITION

On June 25, 2021, the Company entered into an agreement to purchase 100% of the equity of Holo3D Technologies Inc. (“Holo3D”), a related company as the CEO of the Company has a 12.5% shareholder interest in Holo3D (the “Transaction”). The Transaction was approved by the Board of Directors. As consideration, the Company issued 12,000,000 common shares.

The acquisition of Holo3D does not constitute a business combination because the entity does not meet the definition of a business under IFRS 3 – Business Combination. As a result, the transaction was accounted for as an asset acquisition in accordance with IFRS 2. On the completion of the transaction, the Company maintained control over Holo3D.

	Amount
	\$
Purchase price	
12,000,000 common shares issued on June 25, 2021	2,760,000
Net assets acquired	
Cash	63,555
Accounts payable and accrued liabilities	(31,991)
	<u>31,564</u>
Consideration paid in excess of net assets acquired	<u>2,728,436</u>

The additional unidentifiable assets acquired did not meet the criteria for capitalization as they could not be measured. Accordingly, the Company expensed \$2,728,436 to the statement of loss and comprehensive loss.

5. INTANGIBLE ASSETS

	Licenses and marketing rights	Other	Goodwill	Total
Cost	\$	\$	\$	\$
Balance at December 31, 2020	1	9,474	-	9,475
Amortization	-	(2,672)	-	(2,672)
Balance at December 31, 2021	1	6,802	-	6,803
Amortization	-	(2,004)	-	(2,004)
Balance at September 30, 2022	1	4,798	-	4,799

E-Play Digital Inc.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

5. INTANGIBLE ASSETS (continued)

During the year ended December 31, 2019, the Company acquired a list of Instagram influencers to be utilized in new and existing Mobile games for total proceeds of \$13,360.

During the year ended December 31, 2016, the Company acquired all of the issued and outstanding shares of PokerVision Media Inc. and 96.70% interest in Mobovivo Inc. pursuant to a Share Purchase Agreement and Amalgamation Agreement dated September 27, 2016 (the "Acquisition"). The transaction was accounted for as a business combination under IFRS 3 – Business combination. As a result of the transaction, the Company recognized goodwill of \$2,055,580.

During the year ended December 31, 2019, the Company determined that the goodwill value attributable to the Acquisition was impaired and the full balance attributed to goodwill was reduced to \$Nil as the Company has begun the transition from 100% service revenue to direct consumer revenue.

6. SHORT-TERM LOANS

During the year ended December 31, 2016, the Company received \$14,169 (€10,000) from a third party as a short-term loan. As at September 30, 2022, the loan was valued at \$13,383 (December 31, 2021 - \$14,391) due to foreign currency fluctuation. The loan is non-interest bearing, unsecured and is due on demand.

During the year ended December 31, 2020, the Company received \$27,852 from a third party as a short-term loan and repaid \$22,500 through the issuance of 450,000 common shares at a fair value of \$0.05 per share on May 14, 2020. As at September 30, 2022, the loan balance was \$5,352 (December 31, 2021 - \$5,352). The loan is non-interest bearing, unsecured and is due on demand.

7. LOANS PAYABLE

The Company has the following loans payable as at September 30, 2022 and December 31, 2021:

As at	September 30, 2022	December 31, 2021
	\$	\$
Canada Media Fund – Production Financing Agreement (Xtra)	485,906	485,906
Canada Media Fund – Sales and Marketing Loan (Previw)	203,808	203,808
Canada Media Fund – Production Financing Agreement (Previw)	387,653	387,653
Canada Media Fund – Sales and Marketing Loan (Xtra)	164,846	164,846
Canada Emergency Business Account Loan	39,005	36,194
Due to related parties	112	112
Total	1,281,330	1,278,519

Canada Media Fund ("CMF") – Production Financing Agreement (Xtra)

On September 29, 2011, the Company's subsidiary, MV, entered into a Production Financing Agreement with CMF. Total amount to be invested by CMF was \$539,895 (the "Investment"), representing 75% of the production budget. Investment was made in three separate payments. Payments are made upon receipt of three progress and cost reports from MV.

During 2013, MV determined that Xtra was no longer financially feasible and therefore terminated the production progress. As a result, MV received a total of \$485,906 in two separate payments.

E-Play Digital Inc.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

7. LOANS PAYABLE (continued)

Should MV determine to complete Xtra in the future, CMF is entitled to recoupment. Recoupment is capped at a maximum of 50% of revenues from Xtra.

In the event of default, the CMF has the right, but not the obligation, to reduce the Investment and, if any portion of the reduced amount has previously been advanced to MV, require immediate repayment of such amount with interest at the rate of prime plus 1% per annum as set by the Bank of Canada. As at September 30, 2022, the CMF has not made revisions to the agreement and there have been no notices of default.

As at September 30, 2022 and December 31, 2021, MV has not generated revenue from Xtra. CMF has not collected or accrued any recoupment amount.

The potential events of default, as per the agreement, that trigger repayment obligations, are not identifiable based upon current circumstances, and are unforeseeable in the near future.

Canada Media Fund – Sales and Marketing Loan (Xtra)

On October 3, 2012, MV entered into another Marketing Financing Agreement with CMF. Total amount to be advanced by CMF was \$206,058, representing 75% of the sales and marketing budget to Xtra. As at September 30, 2022, total advanced amount by CMF to the Company was \$164,846.

During 2013, MV determined that Xtra was no longer financially feasible and therefore terminated the production progress.

Should MV determine to complete Xtra in the future, CMF is entitled to recoupment. The CMF is entitled to receive 50% of Production Revenues until recoupment of the advance in full.

In the event of default, the CMF has the right, but not the obligation, to reduce the Investment and, if any portion of the reduced amount has previously been advanced to MV, require immediate repayment of such amount with interest at the rate of prime plus 1% per annum. As at September 30, 2022, the CMF has not made revisions to the agreement and there have been no notices of default.

As at September 30, 2022 and December 31, 2021, MV has not provided any marketing revenues to the CMF. CMF has not collected or accrued any recoupment amount.

The potential events of default, as per the agreement, that trigger repayment obligations, are not identifiable based upon current circumstances, and are unforeseeable in the near future.

Canada Media Fund – Production Financing Agreement (Previw)

On January 26, 2011, MV entered into a Production Financing agreement with CMF. Total amount to be invested by CMF was \$430,725 (“Equity Investment”), representing 75% of the production budget. As at September 30, 2017, \$387,653 of the Equity Investment has been disbursed to MV. MV determined that Previw was no longer financially feasible and therefore terminated the production progress.

Should MV determine to complete Previw in the future, CMF is entitled to recoupment. Recoupment is capped at a maximum of 50% of revenues from Previw.

In the event of default, the CMF has the right, but not the obligation, to reduce the Investment and, if any portion of the reduced amount has previously been advanced to MV, require immediate repayment of such amount with interest at the rate of prime plus 1% per annum. As at September 30, 2022, the CMF has not made revisions to the agreement and there have been no notices of default.

E-Play Digital Inc.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

7. LOANS PAYABLE (continued)

As at September 30, 2022 and December 31, 2021, MV has not provided production revenues to CMF. CMF has not collected or accrued any recoupment amount.

The potential events of default, as per the agreement, that trigger repayment obligations, are not identifiable based upon current circumstances, and are unforeseeable in the near future.

Canada Media Fund – Sales and Marketing Loan (Previw)

On October 3, 2012, MV entered into a Marketing Financing Agreement with CMF (“Marketing Agreement”). Total amount to be invested by CMF was \$203,808 (“Advance”), representing 75% of the sales and marketing budget to Previw.

During 2013, MV determined that Previw was no longer financially feasible and therefore terminated the production progress.

Should MV determine to complete Previw in the future, CMF is entitled to recoupment. Recoupment is capped at a maximum of 50% of revenues from Previw.

In the event of default, the CMF has the right, but not the obligation, to reduce the Investment and, if any portion of the reduced amount has previously been advanced to MV, require immediate repayment of such amount with interest at the rate of prime plus 1% per annum as set by the Bank of Canada. As at September 30, 2022, the CMF has not made revisions to the agreement and there have been no notices of default.

As at September 30, 2022 and December 31, 2021, MV has not generated revenue from Previw CMF has not collected or accrued any recoupment amount.

The potential events of default, as per the agreement, that trigger repayment obligations, are not identifiable based upon current circumstances, and are unforeseeable in the near future.

Canada Emergency Business Account Loan

On April 20, 2020, the Company received \$40,000 under the Canada Emergency Business Account (“CEBA”). The loan is non-interest bearing and no principal repayments are required up to December 31, 2023. If the principal balance of \$30,000 is repaid by December 31, 2023, then the remaining \$10,000 of the principal balance will be forgiven. It is uncertain whether the Company will be able to repay the \$30,000 by December 31, 2023, therefore no loan forgiveness is recognized at this point. Any remaining balance after January 1, 2024, will be converted into a 2-year term loan with a fixed interest of 5% per annum, monthly interest-only payments and the outstanding balance must be repaid in full by December 31, 2025. The loan was initially measured at its fair value of \$30,932 and is subsequently measured at amortized cost, using an effective interest rate of 10%. The difference of \$9,068 will be accredited to the loan liability over the term of the CEBA Loan and offset to other income on the statement of loss and comprehensive loss.

During the nine months ended September 30, 2022, \$2,811 (2021 - \$2,232) of interest expense related to the CEBA loan was recognized and included in accretion expense in the consolidated statements of loss and comprehensive loss.

Due to related parties

The loans are non-interest bearing, unsecured, and payable at the discretion of the Company.

E-Play Digital Inc.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

8. SHARE CAPITAL

(a) Authorized: unlimited common shares without par value.

(b) Issued and Outstanding:

During the year ended December 31, 2021:

On February 11, 2021, the Company issued 393,625 common shares at \$0.06 to settle accounts payable balance of \$23,618 to a consultant of the Company (Note 14).

On February 11, 2021, the Company issued 1,168,125 common shares at \$0.06 to settle certain accounts payable balance of \$70,087 with related parties (Notes 11 and 14).

On March 5, 2021, the Company completed the first tranche of a non-brokered private placement for 5,750,000 units at \$0.10 per unit for gross proceeds \$575,000. Each unit consist of one common share and one share purchase warrant. Each warrant can be exercised to purchase one additional common share at \$0.20 per share on or before March 5, 2022.

On March 17, 2021, the Company completed the second tranche of a non-brokered private placement for 5,250,000 units at \$0.10 per unit for gross proceeds \$525,000. Each unit consist of one common share and one share purchase warrant. Each warrant can be exercised to purchase one additional common share at \$0.20 per share on or before March 17, 2022.

On April 29, 2021, the Company issued 1,000,000 common shares related to the exercise of 1,000,000 warrants at an exercise price of \$0.15 per share for proceeds of \$150,000.

On June 7, 2021, the Company issued 500,000 common shares related to the exercise of 500,000 stock options at an exercise price of \$0.10 per share for proceeds of \$50,000. The fair value of stock options exercised of \$28,240 was reclassified to share capital from reserves.

On June 9, 2021, the Company issued 100,434 common shares at \$0.23 to settle accounts payable balance of \$23,100 to a consultant of the Company (Note 14).

On June 9, 2021, the Company issued 232,716 common shares at \$0.23 to settle certain accounts payable balance of \$53,625 with related parties. The Company recorded a gain on settlement in the amount of \$125 (Notes 11 and 14).

On June 25, 2021, the Company issued 12,000,000 common shares with a fair value of \$2,760,000 related to the acquisition of Holo3D (Notes 4 and 14).

On July 27, 2021, the Company issued 64,533 common shares related to the exercise of 64,533 stock options at an exercise price of \$0.15 per share for proceeds of \$9,680. The fair value of stock options exercised of \$6,755 was reclassified to share capital from reserves.

On September 15, 2021, the Company issued 45,769 common shares at \$0.195 to settle accounts payable balance of \$8,925 to a consultant of the Company (Note 14).

On September 15, 2021, the Company issued 148,078 common shares at \$0.195 to settle certain accounts payable balance of \$28,875 with related parties (Notes 11 and 14).

On December 30, 2021, the Company issued 84,000 common shares at \$0.095 to settle accounts payable balance of \$8,400 to a consultant of the Company. The Company recorded a gain on settlement in the amount of \$420 (Note 14).

E-Play Digital Inc.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

(b) Issued and Outstanding (continued)

On December 30, 2021, the Company issued 262,500 common shares at \$0.095 to settle certain accounts payable balance of \$26,250 with related parties. The Company recorded a gain on settlement in the amount of \$1,313 (Notes 11 and 14).

(c) Stock Options:

The Company has adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the applicable stock exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. Pursuant to the Option Plan, the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. The stock option plan limits the number of incentive stock options which may be granted to any one individual to not more than 5% of the total issued shares of the Company in any 12-month period. The number of incentive stock options granted to any one consultant, or a person employed to provide investor relations activities in any 12-month period must not exceed 2% of the total issued shares of the Company. Options granted under the Option Plan can have a maximum exercise term of 5 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

On November 7, 2018, the Company granted incentive stock options, exercisable to purchase up to an aggregate of 1,211,823 common shares of the Company to certain directors, officers, and/or consultants of the Company. A total of 431,201 options vest over 3 years, a total of 280,622 options vest over 2 years, and a total of 500,000 options vest over one year. The options are exercisable at a price of \$0.15 per common share for a four-year term. The weighted average fair value of stock option was determined using the Black-Scholes option pricing model using the following assumptions: expected life of stock option of 4 years, volatility of 100%, forfeiture rate of 0%, annual rate of dividends of 0% and a risk-free rate of 2.42%. Total fair value was calculated to be \$126,842 of which \$37,904 was recorded as share-based compensation for the year ended December 31, 2018, \$67,616 was recorded as share-based compensation for the year ended December 31, 2019, \$17,046 was recorded as share-based compensation for the year ended December 31, 2020, and \$4,277 was recorded as share-based compensation for the year ended December 31, 2021, based on the vesting provisions.

On March 19, 2021, the Company granted incentive stock options, exercisable to purchase up to an aggregate of 725,000 common shares of the Company to certain consultants of the Company. The options vested 100% on grant date. The options are exercisable at a price of \$0.24 per common share for a three-year term. The weighted average fair value of stock option was determined using the Black-Scholes option pricing model using the following assumptions: expected life of stock option of 3 years, volatility of 172.37%, forfeiture rate of 0%, annual rate of dividends of 0% and a risk-free rate of 0.52%. Total fair value was calculated to be \$150,604 and recorded as share-based compensation for the year ended December 31, 2021.

On March 24, 2021, the Company granted incentive stock options, exercisable to purchase up to an aggregate of 850,000 common shares of the Company to certain consultants of the Company. The options vested 100% on grant date. The options are exercisable at a price of \$0.23 per common share for a two-year term. The weighted average fair value of stock option was determined using the Black-Scholes option pricing model using the following assumptions: expected life of stock option of 2 years, volatility of 185.75%, forfeiture rate of 0%, annual rate of dividends of 0% and a risk-free rate of 0.25%. Total fair value was calculated to be \$139,468 and recorded as share-based compensation for the year ended December 31, 2021.

E-Play Digital Inc.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

(c) Stock Options (continued)

On September 15, 2021, the Company granted incentive stock options, exercisable to purchase up to an aggregate of 1,650,000 common shares of the Company to certain consultants and directors of the Company. The options vested 100% on grant date. The options are exercisable at a price of \$0.195 per common share for a three-year term. The weighted average fair value of stock option was determined using the Black-Scholes option pricing model using the following assumptions: expected life of stock option of 3 years, volatility of 172.64%, forfeiture rate of 0%, annual rate of dividends of 0% and a risk-free rate of 0.62%. Total fair value was calculated to be \$278,751 and recorded as share-based compensation for the year ended December 31, 2021.

As at September 30, 2022, the following options remain outstanding:

	Nine months ended September 30, 2022		Year ended December 31, 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening	9,029,557	\$0.15	6,369,090	\$0.11
Issued	-	-	3,225,000	0.21
Exercised	-	-	(564,533)	0.11
Ending	9,029,557	\$0.15	9,029,557	\$0.15
Weighted average remaining life of stock options outstanding	0.76 years		1.51 years	

Number of options	Number of options exercisable	Exercise price	Expiry date
707,267	707,267	\$0.19	November 14, 2022
1,147,290	1,147,290	\$0.15	November 7, 2022
500,000	500,000	\$0.15	February 14, 2023
500,000	500,000	\$0.10	April 17, 2023
1,600,000	1,600,000	\$0.10	August 12, 2023
150,000	150,000	\$0.05	March 25, 2023
200,000	200,000	\$0.10	August 12, 2023
1,000,000	1,000,000	\$0.05	August 13, 2022
725,000	725,000	\$0.24	March 19, 2024
850,000	850,000	\$0.23	March 24, 2023
1,650,000	1,650,000	\$0.195	September 15, 2024
9,029,557	9,029,557	\$0.15	

E-Play Digital Inc.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

(d) Warrants:

	Nine months ended September 30, 2022		Year ended December 31, 2021	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Opening	11,000,000	\$0.20	8,670,113	\$0.17
Issued	-	-	11,000,000	0.20
Exercised	-	-	(1,000,000)	0.15
Expired	-	-	(7,670,113)	0.17
Ending	11,000,000	\$0.20	11,000,000	\$0.20
Weighted average remaining life of warrants outstanding	1.46 years		2.21 years	

As at September 30, 2022, the following warrants remain outstanding:

Number of warrants	Exercise price	Expiry date
5,750,000 (1)	\$0.20	March 17, 2024
5,250,000 (2)	\$0.20	March 17, 2024
11,000,000		

(1) On December 30, 2021, the Company extended the expiry date of 5,750,000 warrants exercisable at \$0.20 from March 5, 2022 to March 17, 2024

(2) On December 30, 2021, the Company extended the expiry date of 5,250,000 warrants exercisable at \$0.20 from March 17, 2022 to March 17, 2024

9. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the operation of the Company. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through equity or debt financing. The Company is not subject to any capital requirements imposed by a regulator.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments are exposed to certain financial risks, which include the following:

Credit risk

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash and amounts receivable. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies. Collectability for amounts receivable is assessed on an ongoing basis and a provision for impairment recorded as necessary.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company intends to ensure that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. As at September 30, 2022, the Company had cash of \$118,700 (December 31, 2021 - \$606,374) to settle the total current liabilities of \$298,380 (December 31, 2021 - \$216,717). As the Company does not have positive operating cash flows, the Company has relied primarily on equity financings and loans to meet its capital requirements and current financial obligations (Note 1).

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency.

At September 30, 2022, the Company had nominal amounts of accounts payable and short-term loans denominated in Euro. A 10% change in the currency exchange rates between the Canadian dollars relative to the Euro would have an immaterial effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations.

The Company is exposed to currency risk through the following monetary assets and liabilities denominated in foreign currencies.

	September 30, 2022		December 31, 2021	
Cash	USD\$	19,857	USD\$	10,092
Accounts payable	USD\$	-	USD\$	3,725
Accounts payable	EUR\$	(30,070)	EUR\$	(30,070)
Short-term loans	EUR\$	(10,000)	EUR\$	(10,000)

Based on the above net exposure and assuming that all other variables remain constant a 10% change in the value of the foreign currencies against the Canadian dollar would result in an increase or decrease of approximately \$3,000 (2021 - \$5,900) in the statement of loss and comprehensive loss.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk because it does not have any interest-bearing debt.

E-Play Digital Inc.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

11. RELATED PARTY TRANSACTIONS

The key management personnel compensation for the nine months ended September 30, 2022 and 2021 are as follows:

	2022	2021
	\$	\$
Revenue earned from a company controlled by CEO	-	20,000
Professional fees paid / accrued to CFO	36,125	47,500
Management fees paid / accrued to CEO	45,750	53,274
Consulting fees paid / accrued to CEO	20,000	1,714
Research and development paid / accrued to CEO	20,000	1,714
Share-based compensation	-	101,364
Total	121,875	205,566

- (a) Included in accounts payable and accrued liabilities as at September 30, 2022 is \$84,000 (December 31, 2021 - \$Nil) due to companies controlled by the CEO and CFO. Amounts are unsecured, non-interest bearing and due on demand. During the nine months ended September 30, 2022, the Company issued Nil (2021 – 1,400,841) common shares with a fair value of \$Nil (2021 - \$123,613) to settle certain accounts payable with the officers of the Company in the amount of \$Nil (2021 - \$123,738) (Note 8(b)).
- (b) Included in loans payable as at September 30, 2022 is \$112 (December 31, 2021 - \$112) due to the CEO (Note 7).
- (c) On June 25, 2021, the Company acquired 100% of the equity of Holo3D, a related company as the CEO of the Company has a 12.5% shareholder interest in Holo3D (Note 4).

12. CONTINGENCY

In October 2017, the Company received an Originating Application and Affidavits filed to the Court of Queen's Bench of Alberta for the dissent procedure related to the acquisition of MV by the Company. The Applicants are seeking fair value payments for the common shares in the capital of MV and the costs of the proceedings. The claim total \$19,154 plus 5% interest from September 14, 2018, plus fees and disbursements in the amount of \$625. During the year ended December 31, 2019, the Company partially settled this claim for \$8,125.

13. GOVERNMENT GRANTS***Canada Emergency Wage Subsidy***

The Company applied for and received the Canada Emergency Wage Subsidy ("CEWS"), which provides up to 75% of employee's wages. During the year ended December 31, 2021, the Company received \$177,424 in 21 distinct claiming periods.

E-Play Digital Inc.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

E-Play Digital Inc.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

13. GOVERNMENT GRANTS (continued)***Industrial Research Assistance Program***

On April 3, 2020, the Company entered into a Contribution Agreement with the Industrial Research Assistance Program (“IRAP”) run by the NRC. The NRC has agreed to contribute up to a maximum of \$170,000 for cost incurred in the “Augmented Reality Capture And Visualization Engine” project, of which \$62,781 was received during the year ended December 31, 2021. The duration of the agreement is 1 year. The government grant was credited against research and development during the nine months ended September 30, 2022 and year ended December 31, 2021.

14. SUPPLEMENTAL CASH FLOW INFORMATION

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows.

During the year ended December 31, 2021, the following non-cash transactions occurred:

The Company issued 2,435,247 common shares with a fair value of \$241,048 to settle debt of \$242,906 recorded in accounts payable and accrued liabilities (Note 8).

The Company issued 12,000,000 common shares valued at \$2,760,000 related to the acquisition of Holo3D (Notes 4 and 8).

The Company issued 564,533 common shares upon the exercise of options at \$0.10-\$0.15 per share for proceeds of \$59,680. A classification of \$34,995 was recorded from reserves to share capital (Note 8).

15. SEGMENTED REPORTING

Revenues from external customers are derived from customers located in Canada and the United States as follows:

During the nine months ended September 30,	2022	2021
	\$	\$
United States	32,127	8,005
Canada	3,675	21,963
	35,802	29,968

During the nine months ended September 30, 2022, approximately 66% (2021 - 90%) of the Company’s revenue was generated from three (2021 - three) customers.

E-Play Digital Inc.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

16. COMMITMENT

On June 4, 2021, the Company entered into a license agreement with Spartan, whereas the licensor granted the Company, a non-exclusive, non-revocable royalty-bearing license to sell, market and/or rent digital wearables for mobile games for a period of two years. The Company will pay Spartan a royalty of 50% of net sales of royalty-based products derived or related to the digital wearables. The Company shall only receive an affiliate of \$3.00 per physical good sold in conjunction with the digital wearables.